

# Massachusetts School Building Authority

Steven Grossman, State Treasurer  
*Chairman*

Jack McCarthy  
*Executive Director*



## MSBA Update

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1. MSBA History and Inherited Programs Update
2. New Program Update
3. MSBA Five Year Capital Program Outlook and Debt Profile



# MSBA History

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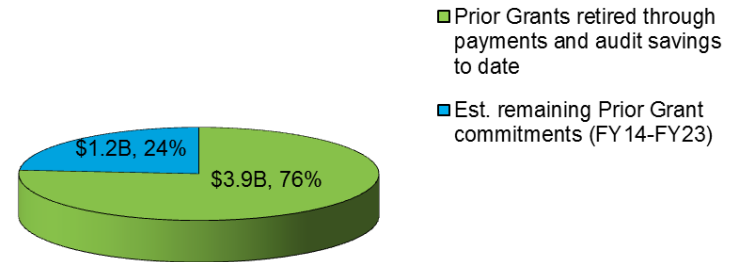
- **In 2004, the MSBA was established to replace the Commonwealth's unsustainable school building assistance program, which had accumulated more than \$10 billion in liabilities and a multi-year funding and audit backlog for nearly 800 projects**
  
- **Chapter 208 of the Acts of 2004 ended the former school building assistance program and created the MSBA, charged with:**
  - Succeeding to the powers of the Department of Education, inheriting outstanding payments and audits for 1,156 previously authorized projects
  - Achieving the effective management, planning and financial sustainability of a new program for school building construction grants
  - Revising regulations for a new program of grants for school construction
  - Accepting applications for new grant program starting July 2007



# Inherited Programs Status

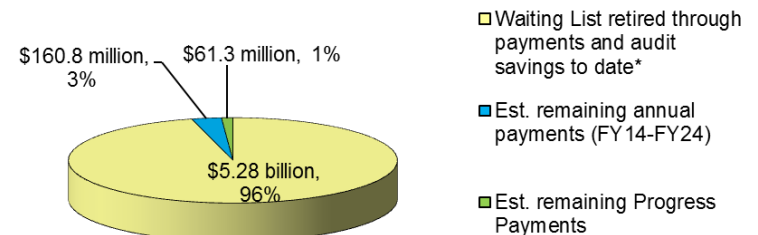
- **MSBA's proactive and aggressive management of inherited projects eliminated the uncertainty associated with the former program**
  - More than \$9.2 billion of estimated inherited financial commitments from former program have been retired through payments and audit savings
  - Approximately \$1.4 billion inherited commitments outstanding
  - More than \$1.3 billion of outstanding inherited commitments will be paid without additional debt issuance
  - 76% of the total inherited Prior Grant financial commitment retired to date. 100% of the projects have completed and approved final audits
  - 96% of the total inherited Waiting List financial liability and commitment retired to date. 98% of the projects have completed and approved final audits

**Status of \$5.1B Inherited Prior Grants**



\* Includes payments and audit savings as of 4/23/2013.

**Status of \$5.5B Inherited Waiting List**



\* Includes payments and audit savings as of 4/23/2013.



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# MSBA “New Program” Solutions

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## MSBA Implemented Programmatic Oversight and Controls to Ensure Grant Program Stays within Available Resources:

- **Limit Grant Approvals to Available Funds**
  - Develop individual project budgets and require multiple independent cost estimates for projects
  - Require districts to design to agreed-upon budget/scope
  - MSBA/local district financial commitment clearly documented
  - Funding agreements explicitly protect MSBA from project budget or scope increases
  - MSBA has been disciplined in applying policies and procedures and has demonstrated its willingness to halt funding to enforce compliance with funding agreements
  - Statements of Interest process advancement to re-focus districts on submitting only priority requests they are able to fund
- **Focused New Program Spending**
  - Emphasis on core academic spaces, such as classrooms and science labs
  - Adherence to educationally-sound MSBA space guidelines/standards
  - “Pay as you build” Progress Payment system
- **Completed Two Capital Surveys of Approximately 1,800 School Facilities Across the Commonwealth**
  - Identified baseline public school inventory
- **Developed Data-Based Enrollment Projection Methodology in Order to Build Right-Sized Schools**
- **Made Over 900 Site Visits to More Than 200 School Districts as Part of MSBA’s Review and Due Diligence Process**



# Efficient Resource Allocation Through Innovative Programming

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## MSBA has Utilized Taxpayers' Resources to Support Cost-Effective and Educationally Appropriate Programs:

- **Created “Model School” Program**

- Adapts proven designs for reuse

- **Created Green and Accelerated Repair Programs**

- Focus on preservation of existing assets by performing energy efficiency upgrades that will extend useful life of facilities
- Accelerated project schedules using streamlined procurement process enables benefits of project to be realized more quickly

- **Science Lab Initiative**

- Competitive grant program that established through the 2012 SOI process to enhance delivery of science curriculum



# Statements of Interest 2013

- 200 Statements of Interest filed by 117 districts during 2013 filing period

2013 Statement  
of Interest  
Submittal Period ✓

- Submitting a SOI is the critical first step in the MSBA's program for school building construction and renovation grants.
- The grant program is a non-entitlement, competitive program, and grants are distributed by the MSBA Board of Directors based on need and urgency, as expressed by the community and validated by the MSBA.
- Next, staff will work with districts to verify the problems identified in the SOI and determine the appropriate level of due diligence.

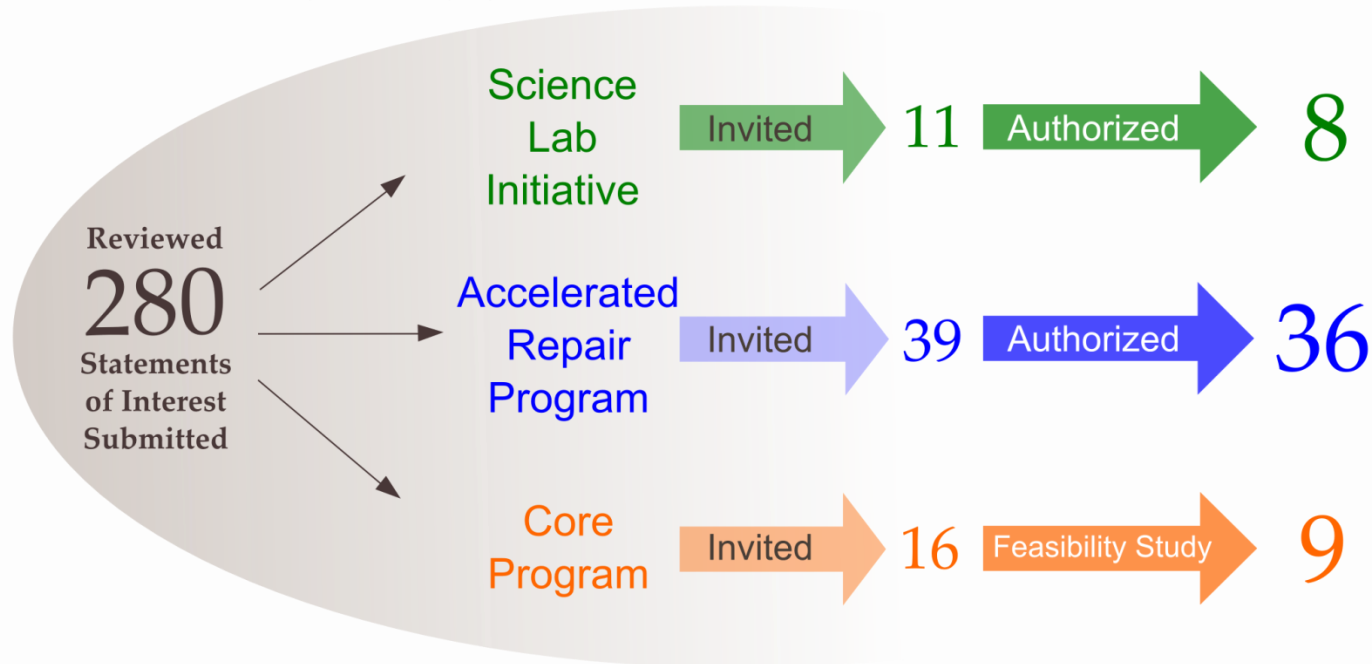




# 2012 Statements of Interest (SOIs) Overview

## Science Lab Initiative

- 13 SOI filed for the Science Lab Initiative
- 11 invited, 3 withdrew
- 8 Authorized for Project Funding Agreement



## Accelerated Repair Program

- 39 SOIs invited
- 3 Withdrew
- 36 Projects authorized for Project Funding Agreement

## Core Program

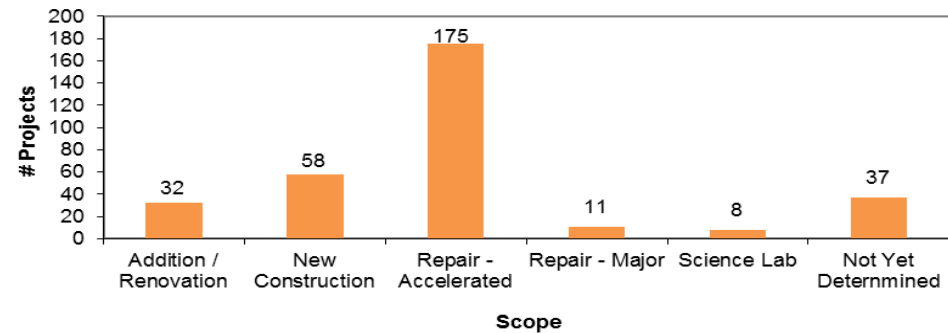
- 16 SOIs invited to Eligibility Period
- 2 Districts withdrew
- 9 invited into Feasibility Study
- 5 Districts working within Eligibility Period



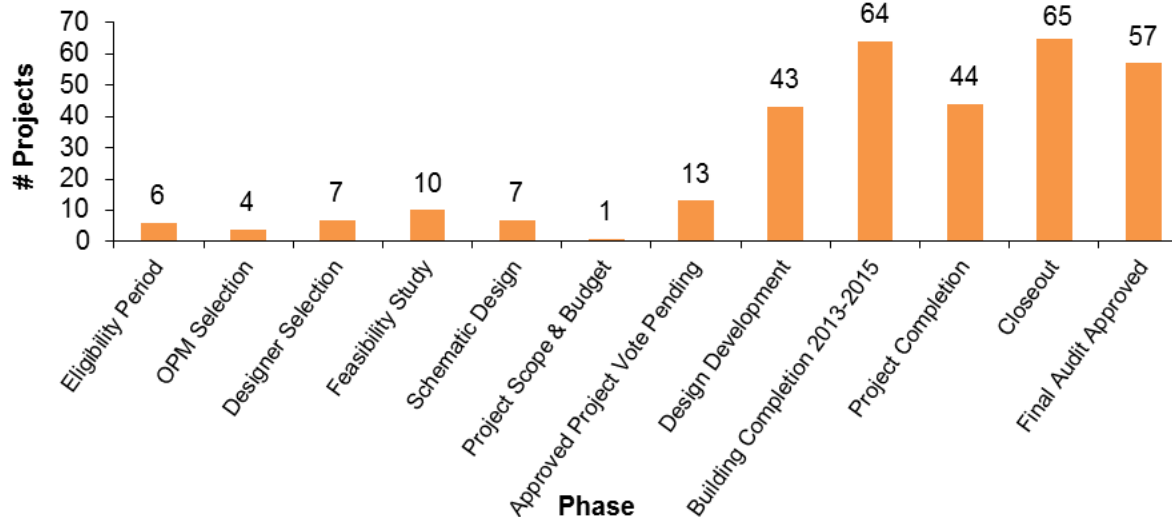
# New Program Snapshot

- **Successful implementation of New Program procedures and guidelines has enabled projects to progress through pipeline on-schedule and on-budget**
- **Program invitations aligned with dedicated sales tax growth**
- **Approximately \$1.35 billion current funding commitments forecast to be paid out through fiscal year 2017**

**MSBA Capital Pipeline - Projects by Scope\***



**MSBA - New Program Project Status\***



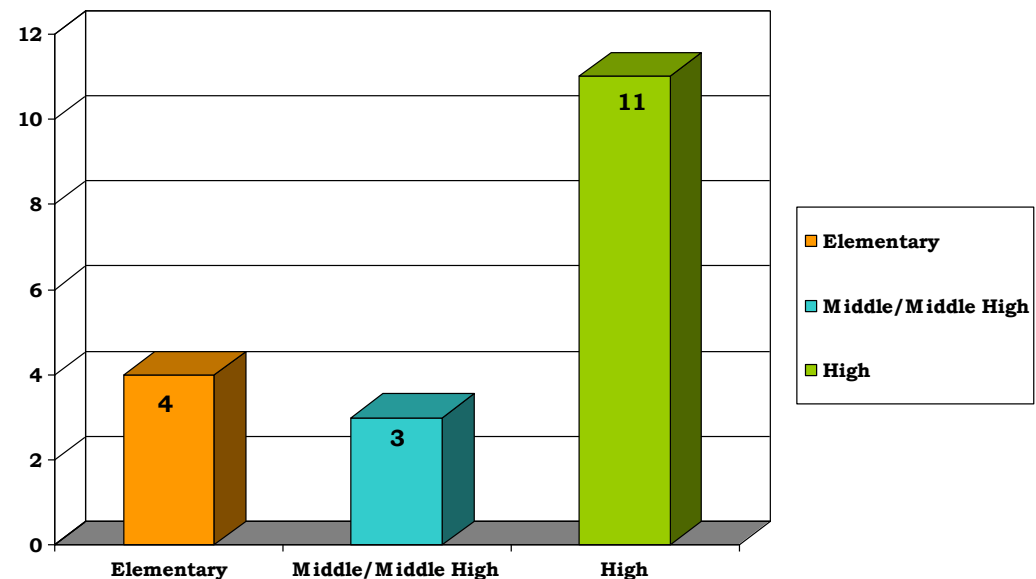
\*Reflects status as of April 10, 2013.



# Model School Program

*Seeks to effectively adapt and re-use the design of successful, recently constructed elementary, middle and high schools*

- 18 districts currently participating
- Up to five additional reimbursement percentage points for participation
- Model School Program Task Force
  - Input from design, construction and project management professionals






# Model School Program Elementary School

## Model School chosen

(Williamstown Elementary School)



**Rendering of  
Westfield –  
New Abner Gibbs  
Elementary  
School**





# Accelerated Repair Program

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- Utilizes best practices from the former Green Repair Program and is primarily for the repair and/or replacement of roofs, windows, and/or boilers with the potential to include additional systems as may be determined by the MSBA
- Districts with repair needs in their facilities can apply through the Statement of Interest Process
- Focuses on the preservation of existing assets by performing energy-efficient and cost-saving upgrades, which may result in further benefit of direct operational savings for school districts
- Districts invited into the Accelerated Repair Program are required to use pre-qualified Owner's Project Managers (OPMs) and designers and adhere to other requirements unique to this program, such as implementing an accelerated project schedule





# Science Labs – High Schools

***A competitive grant program that was eligible through the 2012 SOL process***

- Program facilitates the delivery of a 21<sup>st</sup> century science curriculum and will enhance the learning environment for students across the Commonwealth



[www.MassSchoolBuildings.org/news\\_events/Science\\_Lab\\_Video](http://www.MassSchoolBuildings.org/news_events/Science_Lab_Video)



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# MSBA Five Year Capital Program Outlook

Grants	FY13	FY14	FY15	FY16	FY17	FY18
Statements of Interest Submitted by Districts <sup>1</sup>	280	200				
New Program <sup>2</sup>						
Core Program Projects (# project invitations) <sup>3</sup>	\$402M (18)	\$474M (12-25)	\$479M (12-25)	\$484M (12-25)	\$489M (12-25)	\$494M (12-25)
Accelerated Repair (# project invitations) <sup>4</sup>	\$37M (36)	\$25M (10-25)	\$25M (10-25)	\$25M (10-25)	\$25M (10-25)	\$25M (10-25)
Science Lab Initiative (# project invitations)	<u>\$47M (8)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated New Program Grant Authorizations	\$486M	\$499M	\$504M	\$509M	\$514M	\$519M
Inherited Programs <sup>5</sup>						
Prior Grants (# projects)	\$285M (327)	\$209M (290)	\$198M (264)	\$186M (228)	\$172M (198)	\$140M (169)
Wait List (# projects) <sup>6</sup>	<u>\$110M (46)</u>	<u>\$49M (31)</u>	<u>\$28M (28)</u>	<u>\$17M (27)</u>	<u>\$17M (27)</u>	<u>\$16M (26)</u>
Estimated Inherited Program Grant Payments	\$395M	\$258M	\$226M	\$203M	\$189M	\$156M

<sup>1</sup> FY13 reflects calendar year 2012 Statements of Interest filed for FY13 invitation period. FY14 reflects calendar year 2013 Statements of Interest filed for FY14 invitation period.

<sup>2</sup> FY13 reflects actual Estimated Maximum Facilities Grant through April Board and the estimate of one June Board candidate. FY14 and beyond reflect estimated invitations for project approvals, and assume districts have the ability to complete work through schematic design within an average timeframe, and are able to obtain local funding approvals for a proposed project. Assumes 1% annual growth in dedicated sales tax collections from Commonwealth's estimated FY13 collections.

<sup>3</sup> Assumes average grants for major elementary, middle and high school projects of \$19M-\$41M. Invitation assumption is not project-specific, and is based upon average grants only.

<sup>4</sup> Assumes average grant for roof, window and boiler projects of \$500,000 - \$2.5M. Invitation assumption is not project-specific, and is based upon average grants only.

<sup>5</sup> Reflects estimated grant payments based upon payment schedule of final project audit, revised payment schedule as a result of district refunding or estimated remaining progress payment reimbursements.

<sup>6</sup> FY13 includes payments through 4/16/13 and estimated remaining payments through 6/30/13. FY14 and beyond reflects estimated closeout audit calendar as of 4/16/13 and remaining wait list annual payments schedule as of 4/16/13.

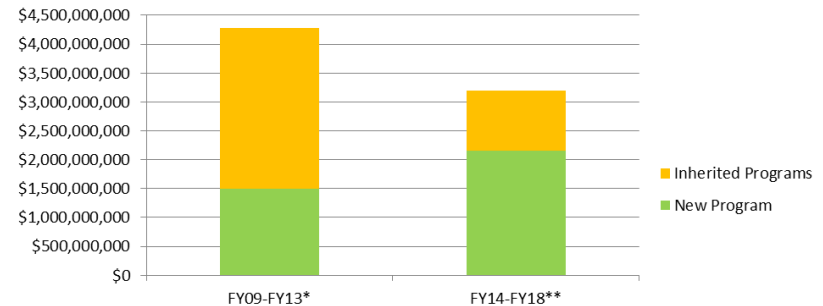




# MSBA - A Look Ahead

- **MSBA debt issuance and total grant payments are projected to decline due to significant progress towards retirement of inherited obligations**
- **Responsible financial planning practices position the MSBA to reduce future borrowing through “paygo” flexibility**
- **MSBA anticipates funding more than 20% of currently outstanding New Program commitments as “paygo”**

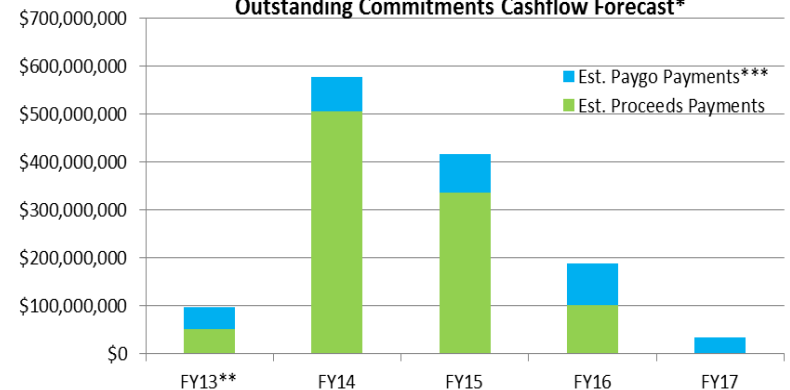
**MSBA Grant Payments  
5 Year Estimated Totals**



\* FY09-FY13 includes estimated grant payments to be processed through June 30, 2013.

\*\* FY14-FY18 reflects estimated grant payments based upon amortization schedules for Inherited Programs, and estimated project cashflows for New Program. New Program estimates include estimated cash flows associated with Eligibility Period candidates that may not yet have received an invitation into MSBA Capital Pipeline, but are in a pre-requisite phase.

**MSBA New Program  
Outstanding Commitments Cashflow Forecast\***



\* Reflects commitments as of April 22, 2013.

\*\* Based upon estimated project reimbursement requests to be submitted by districts May-June 2013.

\*\*\* FY14 estimate assumes Commonwealth's Consensus Revenue Estimate for SMART collections. FY15-17 assume 1% annual growth in SMART collections.



# MSBA Debt Profile

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## Outstanding Debt Profile

- **MSBA has approximately \$4.9 billion of Senior Lien debt outstanding and \$293 million of Subordinate Lien debt outstanding**
  - **Qualified School Construction Bonds (“QSCBs”) represent 100% of Subordinate Lien debt issued**
- **100% of MSBA’s debt portfolio comprises fixed rate debt**
  - **No variable rate debt**
  - **No derivatives**

## Forward Calendar

- **\$500 million June 2013**